

1 IN THE UNITED STATES DISTRICT COURT
2 FOR THE NORTHERN DISTRICT OF CALIFORNIA
3

4 SUNEARTH, INC., a California
5 corporation, and THE SOLARAY
6 CORPORATION, a Hawaiian
corporation,

No. C 11-4991 CW
ORDER REGARDING
BILLS OF COSTS AND
OBJECTIONS

7 Plaintiffs,

(Docket Nos. 168,
169, 172, 173)

8 v.

9 SUN EARTH SOLAR POWER CO., LTD.,
a Chinese limited liability
company, and NBSOLAR USA INC., a
10 California corporation,

11 Defendants.

12 _____ /
13
14 On August 23, 2013, the Court entered judgment in favor of
15 Plaintiffs SunEarth Inc. and The Solaray Corporation and against
16 Defendants Sun Earth Solar Power Co., Ltd. and NBSolar USA Inc.,
17 including an award of costs. On September 6, 2013, both
18 Plaintiffs and Defendants filed a bill of costs. Both sides filed
19 objections to the other's bill of costs. The Court now resolves
20 these objections.

21 BACKGROUND

22 On October 11, 2011, Plaintiffs filed a complaint asserting
23 Defendants infringed Plaintiffs' SUNEARTH mark. Docket No. 1. On
24 March 13, 2012, the Court entered a preliminary injunction against
25 Defendants. Docket No. 80. On April 2, 2012, Defendants served
26 upon Plaintiffs a Rule 68 offer of judgment. Docket No. 168-1.
27 Defendants offered Plaintiffs a \$50,000 payment, cancellation of
28 Defendants' trademark registration, and consent to making

1 permanent the terms of the Court's modified preliminary
2 injunction. Id. Plaintiffs rejected Defendants' offer of
3 judgment.

4 On April 24, 2012, Plaintiffs filed a motion for civil
5 contempt, alleging that Defendants violated the preliminary
6 injunction. The Court granted the motion in part and took under
7 submission Plaintiffs' request for attorneys' fees incurred in
8 bringing the motions for preliminary injunction and for sanctions.

9 After a bench trial, on August 23, 2013, the Court issued
10 findings of fact and conclusions of law and entered judgment in
11 favor of Plaintiffs and against Defendants. Docket Nos. 163, 165.
12 The Court entered a permanent injunction against Defendants.
13 Docket No. 164. The Court also awarded attorneys' fees in
14 connection with Plaintiffs' second motion for contempt and denied
15 fees in connection with Plaintiffs' third motion for contempt.
16 Docket No. 162. On November 22, 2013, the Court amended the
17 judgment and amended the permanent injunction. Docket Nos. 184,
18 185. Judgment was entered in favor of Plaintiffs on their claims
19 for (1) trademark and trade name infringement under the Lanham
20 Act, 15 U.S.C. § 1125(a), et seq., as well as California Business
21 and Professions Code §§ 14415 and 14402, and (2) cybersquatting
22 under the Anticybersquatting Consumer Protection Act, 15 U.S.C.
23 § 1125(d) as to the sunearth.us domain only, and (3) cancellation
24 of Defendants' Trademark Registration No. 3,886,941. Docket No.
25 185. The Court awarded no damages. See id. The judgment also
26 awarded costs to Plaintiffs pursuant to Federal Rule of Civil
27 Procedure 54. See id.

1 On September 6, 2013, Plaintiffs filed a bill of costs
2 claiming \$18,699.68 under Federal Rule of Civil Procedure 54.
3 Docket No. 169. On the same day, Defendants filed a bill of costs
4 in the amount of \$12,719.27 pursuant to Federal Rule of Civil
5 Procedure 68. Docket No. 168. On September 13, 2013, both
6 parties filed objections to the other side's bill of costs.

LEGAL STANDARD

8 Federal Rule of Civil Procedure 54(d)(1) states that, unless
9 otherwise provided, costs other than attorneys' fees should be
10 awarded to the prevailing party.

Rule 68 provides an exception that shifts an award of costs to the non-prevailing party where the non-prevailing party previously made an offer of judgment that was rejected. The offer must be made at least fourteen days before trial, be served in specific terms, and include costs then accrued. Fed. R. Civ. P. 68(a). In the event that the offer of judgment is rejected, "[i]f the judgment that the offeree finally obtains is not more favorable than the unaccepted offer, the offeree must pay the costs incurred after the offer was made." Fed. R. Civ. P. 68(d). Rule 68(d) supersedes Rule 54(d) and uses the threat of the burden of costs to encourage pretrial settlement of cases. Waters v. Heublein, Inc., 485 F. Supp. 110, 113 (N.D. Cal. 1979).

DISCUSSION

I. Costs incurred by Plaintiffs after Defendants' April 2, 2012 offer

25 Defendants argue that because they served on Plaintiffs a
26 Rule 68 offer of judgment exceeding Plaintiffs' actual recovery,
27 Plaintiffs must bear their own costs as well as Defendants' costs

1 following the date of said offer of judgment. See Dalal v.
2 Alliant Techsystems, Inc., 927 F. Supp. 1374, 1383 (D. Colo. 1996)
3 aff'd, 182 F.3d 757 (10th Cir. 1999). Plaintiffs disagree,
4 asserting that the Court's judgment exceeded Defendants' offer of
5 judgment.

6 The underlying question of the Rule 68 determination is
7 whether Plaintiffs were substantially justified in refusing
8 Defendants' offer. See Hawkins v. Berkeley Unified Sch. Dist.,
9 2008 U.S. Dist. LEXIS 94673, 59 (N.D. Cal.). As the party
10 bringing the motion for cost-shifting under Rule 68, Defendants
11 bear the burden of showing that their offer was in fact more
12 favorable. See id.; 12 Charles Alan Wright et al., Federal
13 Practice and Procedure § 3006.1 (2d ed. 2013)). In comparing
14 Defendants' offer to Plaintiffs' final recovery, the Court must
15 consider both monetary and nonmonetary relief. Liberty Mut. Ins.
16 Co. v. EEOC, 691 F.2d 438, 442 (9th Cir. 1982). While it may be
17 difficult to include nonmonetary relief in the calculus, it is
18 necessary to do so because injunctive relief can be a strong
19 motivator for bringing and maintaining a lawsuit. See id.

20 A. Monetary terms

21 Defendants offered \$50,000 in monetary relief. The Court
22 awarded no money damages to Plaintiffs.

23 The award of pre-offer costs, however, must be added to the
24 final judgment amount or, alternatively, deducted from the offer
25 amount. Champion Produce Inc. v. Ruby Robinson Co., 342 F.3d
26 1016, 1020 (9th Cir. 2003). See also Fed. R. Civ. P. 68(a).

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28

1 Plaintiffs state that they incurred \$6,916.46 in costs prior to
2 April 2, 2012.¹ See Docket No. 169, Exs. 8, 15-17, 20.

3 Plaintiffs note that the offer language stated that the offer
4 amount included "all damages and injunctive relief that may be
5 awarded to Plaintiffs . . . as well as prejudgment interest, court
6 costs, expert witness fees, and attorneys' fees." Docket No.
7 168-1 at ¶ 2. Plaintiffs argue that Defendants' inclusion of the
8 phrase "court costs" in this sentence is somehow "ambiguous" and
9 indicates that "Plaintiffs' judgment amount should further be
10 increased by the amount of post-offer costs to which Plaintiffs
11 are entitled, \$11,783.22." Docket No. 173 at 4. Plaintiffs'
12 point is not well-taken. The term "court costs" is not ambiguous.
13 Defendants intended to offer an amount that would cover court
14 costs incurred until the point of the offer. It makes no sense to
15 say that Defendants intended to include in their offer any further
16 costs that Plaintiffs would incur by litigating the case further
17 -- exactly what Defendants' offer was intended to prevent. See
18 Marek v. Chesny, 473 U.S. 1, 7 (1985) ("The Court of Appeals
19 correctly recognized that post-offer costs merely offset part of
20 the expense of continuing the litigation to trial, and should not
21 be included in the calculus").

22 Plaintiffs next contend that, because the Court awarded
23 Plaintiffs attorneys' fees in connection with Plaintiffs' second
24 motion for contempt, Plaintiffs' final judgment amount should
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26 ¹ Defendants calculated that Plaintiffs incurred \$7,272.41 in
27 pre-offer costs, which is higher than the amount stated by
28 Plaintiffs. The Court adopts Plaintiffs' assessment of their own
costs.

1 further be increased by the amount of the award.² After finding
2 that Defendants made unacceptably vague and conclusory statements
3 in their report of compliance with the preliminary injunction
4 order, the Court granted Plaintiffs' motion to find Defendants in
5 civil contempt and awarded Plaintiffs reasonable attorneys' fees
6 for bringing the motion. Docket No. 162 at 4, 11. After the
7 Court awarded attorneys' fees, the parties stipulated to the
8 amount to be awarded: \$33,000. Docket No. 171.

9 Attorneys' fees are not automatically considered costs under
10 the Rule 68 analysis. The Supreme Court has ruled that Rule 68
11 costs include attorneys' fees "where the underlying statute
12 defines 'costs' to include attorney's fees," absent any
13 congressional expression to the contrary. Marek, 473 U.S. at 9
14 (holding that because attorneys' fees are defined in § 1983 as
15 costs, they were properly considered as costs in the Rule 68
16 analysis, and a Rule 68 offer would bar recovery of post-offer
17 attorneys' fees). But where the statute defines attorneys' fees
18 and costs separately, attorneys' fees are not considered Rule 68
19 costs. Haworth v. State of Nev., 56 F.3d 1048, 1051 (9th Cir.
20 1995) (ruling that attorneys' fees for an FLSA claim are not Rule
21 68 costs).

22 The Court is not altogether convinced that this award should
23 be factored into the final judgment. The attorneys' fees at issue
24 here were not awarded under a statute's fee-shifting provision;
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26 ² Plaintiffs contend that post-offer attorneys' fees were
27 somehow included in the offer's "ambiguous" language. As
previously noted, the offer language is not ambiguous, and this
argument is similarly invalid.
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1 they were awarded to compensate Plaintiffs for bringing a motion
2 for civil contempt for violation of the preliminary injunction.
3 Accepting the Rule 68 offer likely would not have barred the
4 attorneys' fee award. If Plaintiffs had accepted Defendants'
5 offer, a permanent injunction would have been in place. Assuming
6 Defendants also violated the offered permanent injunction,
7 Plaintiffs likely would have been able to enforce the injunction
8 in a similar fashion and also seek reasonable attorneys' fees.
9 The attorneys' fees award for bringing the motion for contempt
10 thus appears to be independent of any final judgment and likely
11 would have been provided anyway. The attorneys' fees award is
12 therefore of questionable relevance to the comparison of
13 Defendants' offer of judgment with Plaintiffs' final recovery.

14 Nonetheless, if the \$33,000 were included, the final judgment
15 would total \$39,916.46, which is less than the \$50,000 monetary
16 offer.

17 B. Non-monetary terms

18 In their Rule 68 offer, Defendants proposed to cancel their
19 trademark registration and make permanent the terms of the
20 preliminary injunction. The Court ultimately cancelled
21 Defendants' trademark registration and entered a permanent
22 injunction. The question then becomes whether Defendants' offer
23 to make permanent the terms of the preliminary injunction was
24 equivalent to the final permanent injunction which the Court
25 entered.

26 As acknowledged by the Court in entering the permanent
27 injunction, the terms are "similar to those that the Court
28 included in the modified preliminary injunction." Docket No. 163

1 at 44-45. The Court also noted that it would "maintain in the
2 permanent injunction terms similar to those in the preliminary
3 injunction." Id. at 59. Indeed, the preliminary injunction and
4 permanent injunction are substantially identical except for some
5 differences in wording to make the injunction permanent. There
6 are two differences of note between the preliminary and permanent
7 injunctions. First, the preliminary injunction ordered Defendants
8 to block United States visitors from accessing the websites then
9 before the Court, SunEarth.com, SunEarthpower.com, and
10 SunEarthpower.net, and provide a "choice" page that would allow
11 visitors to access Plaintiffs' website. The permanent injunction
12 similarly ordered Defendants to block those sites, but generalized
13 the prohibition to any subsequent sites, including any website
14 that Defendants maintained with "SUN EARTH" in the address.
15 Although the permanent injunction is broader, the preliminary
16 injunction was narrowly tailored to address the status quo, which
17 at the time, and as far as the Court was aware, was limited to the
18 three websites mentioned. The permanent injunction had to address
19 all future scenarios, extending beyond the Court's knowledge at
20 the time. Second, the preliminary injunction had ordered that the
21 Sunearth.us domain name be placed on registry hold status in order
22 to preserve the option of an eventual transfer to Plaintiffs,
23 which would be appropriate if Plaintiffs prevailed. The permanent
24 injunction followed through on that option and ordered the
25 transfer of the domain name. These differences are therefore not
26 substantial and do not exceed what was contemplated by the
27 preliminary injunction.

1 Because the nonmonetary terms of the offer and judgment are
2 roughly equal, and the monetary terms of the offer exceed that of
3 the judgment, the Court concludes that Plaintiffs were not
4 substantially justified in rejecting Defendants' offer.

5 II. Miscellaneous objections to costs

6 A. Defendants' objections to certain of Plaintiffs' costs

7 Defendants further object to two categories of Plaintiffs'
8 costs. Because these costs were incurred after the offer date,
9 and the Court has already determined those costs must be borne by
10 Plaintiffs themselves, the Court need not decide if they are
11 taxable or not.

12 B. Plaintiffs' objections to certain of Defendants' costs

13 According to Plaintiffs' motion, the parties met and
14 conferred and reached resolution on one of Plaintiffs' objections.
15 Specifically, Defendants agreed to withdraw their request for the
16 \$2,800 for "Interpreter's fee for preparing witness" on October 8,
17 2012.

18 However, Plaintiffs maintain their objection to Defendants'
19 claim for \$2,989.96 in costs for "Witness airfare" on October 7,
20 2012, which has not been resolved. Plaintiffs contend that
21 (1) this type of cost is not taxable, and (2) Defendants have not
22 provided sufficient documentation to validate this request.
23 Plaintiffs provide no citation to authority to substantiate their
24 complaint. Civil Local Rule 54-3(e) permits the taxation of
25 witness expenses such as "per diem, subsistence and mileage
26 payments" "to the extent reasonably necessary and provided for by
27 28 U.S.C. § 1821." As long as the witness traveled by common
28 carrier and by the "shortest practical route," "at the most

1 economical rate reasonably available," the Court sees no reason to
2 bar Defendants from taxing costs because their witness traveled by
3 air from China. Defendants provided an International Air
4 Passenger Transportation Receipt. Plaintiffs have not explained
5 why the documentation is insufficient. The objection is therefore
6 denied.

7 CONCLUSION

8 Because Plaintiffs were not justified in refusing Defendants'
9 April 2, 2012 offer, Plaintiffs cannot recover any post-offer
10 costs. Plaintiffs must also reimburse Defendants for their post-
11 offer costs. The Clerk of the Court shall tax Defendants' bill of
12 costs, with the reduction of the \$2,800 for "Interpreter's fee for
13 preparing witness" that Defendants agreed to withdraw.
14 Plaintiffs' bill of costs shall be reduced to \$6,916.46 only,
15 which shall also be taxed by the Clerk of the Court.

16 IT IS SO ORDERED.

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18 Dated: 4/18/2014


19 CLAUDIA WILKEN
United States District Judge
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